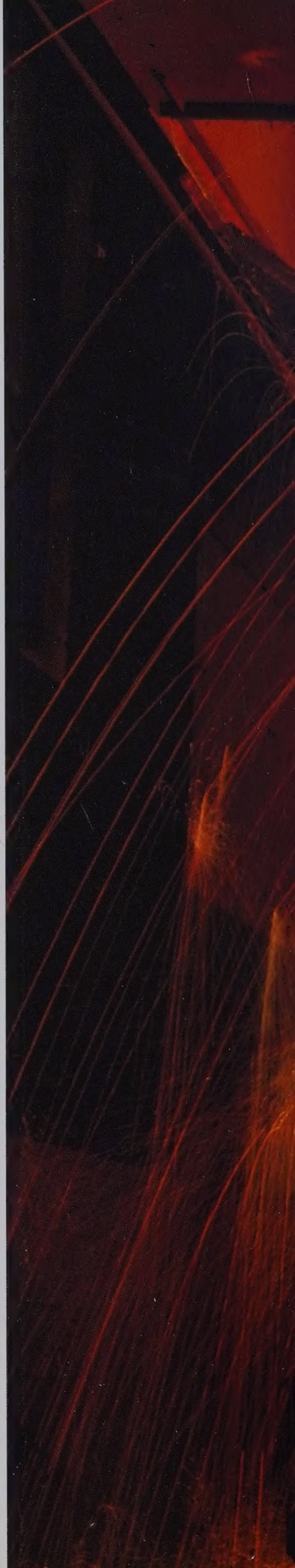
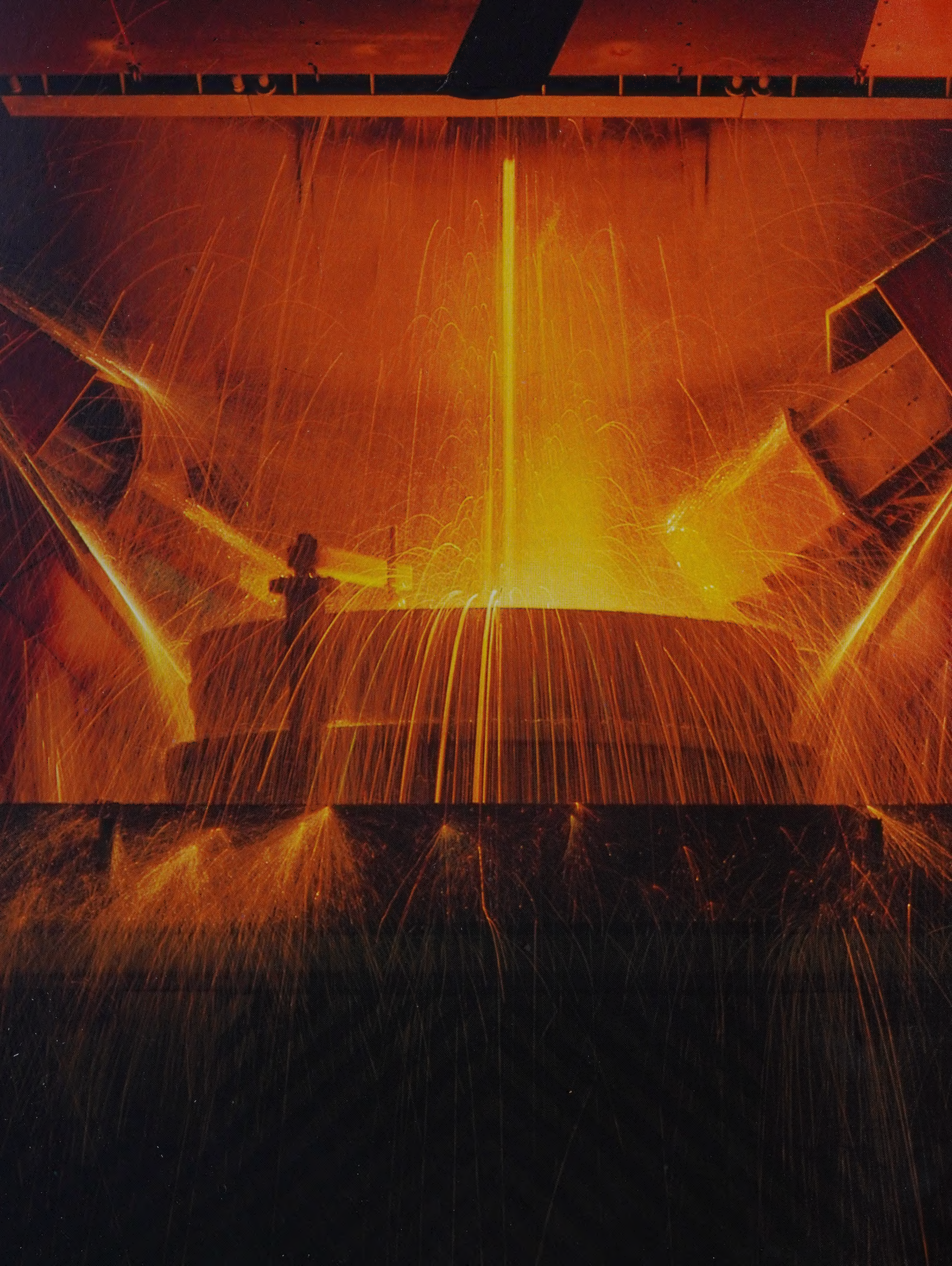
DOMINION FOUNDRIES AND STEEL, LIMITED

1978 ANNUAL REPORT

June 29, 1978 marked the pouring of the first heat in Dofasco's no. 2 melt shop. Molten steel from the new oxygen furnace is tapped into a ladle, then poured into ingot moulds.





Highlights

	1978	1977	Increase (Decrease)
Production of ingots and castings – net tons*	**3,588**	3,333	7.7%
Shipments of flat rolled products and steel castings – net tons*	**2,763**	2,596	6.4%
Sales*	**$1,120,383**	$919,036	21.9%
Net income*	**$ 94,922**	$ 68,518	38.5%
Net income available for common shareholders*†	**$ 85,437**	$ 63,103	35.4%
Net income – per common share†	**$ 5.42**	$ 4.01	
Net income – percent of sales†	**7.6%**	6.9%	
Net income – percent of average capital employed†	**6.8%**	5.8%	
Net income – percent of average common shareholders' equity†	**15.8%**	12.9%	
Dividends declared – total*	**$ 35,605**	$ 29,829	19.4%
Dividends declared – per common share	**$ 1.65¾**	$ 1.55	6.9%
– per $100 preferred share	**$ 4.75**	$ 4.75	
– per $25 preferred share	**$ 1.427**	$ .744	
Capital expenditures – manufacturing*	**$ 128,205**	$152,168	(15.7%)
Capital expenditures – mines and quarries*	**$ 5,920**	$ 7,906	(25.1%)
Depreciation and amortization*	**$ 53,370**	$ 47,063	13.4%
Average number of employees	**12,300**	11,300	8.9%
Number of holders of common shares	**14,674**	15,196	(3.4%)

* in thousands

† after preferred dividends

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétariat de la Compagnie, case postale 460, Hamilton, Ontario.

The annual meeting of shareholders will be held at the offices of the Company in Hamilton, Ontario, on Friday, April 27, 1979, at 12:00 o'clock noon.

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Dofasco

Dominion Foundries and Steel, Limited is a fully integrated basic steel producer manufacturing a variety of flat rolled steel products and castings at its plant in Hamilton, Ontario. The Company ranks second in production, sales and net income in Canada's steel industry, providing over 20% of this country's steel production.
In 1978, Dofasco produced more than 3.5 million ingot tons of steel with a work force of over 10,000 employees. A major factor in Dofasco's success over the years has been the skill and the cooperative efforts of its people.

The Company's product lines include: both sheets and coils in hot and cold rolled, galvanized, tin plate, chromium coated and electrical steels; prepainted steel products; and steel castings.

Over 97% of Dofasco's shares are held in Canada and in 1978 more than 91% of the production supplied domestic markets.

The Company has iron ore ownership interests in the Adams and Sherman Mines in Ontario, Wabush Mines in Labrador and Quebec, as well as the Eveleth Expansion Company in Minnesota. Wholly-owned BeachviLime Limited and its subsidiary Guelph DoLime Limited produce lime and limestone products. Dofasco also has a minor ownership interest in the Itmann Coal Company of West Virginia.

A subsidiary, National Steel Car Corporation, Limited, is a major Canadian producer of railway freight cars.

Prudential Steel Ltd. in Calgary, another wholly-owned subsidiary, produces a full range of small diameter pipe products for the oil, gas and construction industries.

Dofasco is also a 50% shareholder of Baycoat Limited which produces prepainted steel in Hamilton.

Stock Market Information

	Class A Convertible Common Shares				
1978	High	Low	Close	Shares Traded	Dividends Declared
First Quarter	$24⅝	$22	$24⅜	541,627	$0.38¾
Second Quarter	$26⅞	$23¾	$26	431,401	$0.41
Third Quarter	$29¼	$25⅜	$29¼	569,755	$0.41
Fourth Quarter	$32	$27⅞	$31	740,123	$0.45
Year	$32	$22	$31	2,282,906	$1.65¾
1977	$27	$21	$24⅛	1,325,918	$1.55

Valuation Day (Dec. 22, 1971) share prices: Common $25.00
4¾% Preferred $74.00

Directors

George H. Blumenauer
Chairman and President, Otis Elevator Company Limited, Hamilton

R. Ross Craig
Executive Vice President – Commercial

Roger G. Doe, Q.C.
Partner, Campbell, Godfrey & Lewtas, Toronto

Robert C. Dowsett
President, Crown Life Insurance Company, Toronto

Dr. John R. Evans
Professor of Medicine, University of Toronto, Toronto

William C. Hassel
Vice President – Operations

Howard J. Lang
Chairman, Canron, Inc., Montreal

John D. Leitch
President, Upper Lakes Shipping Ltd., Toronto

Frank H. Logan
Chairman, Dominion Securities Limited, Toronto

W. Harold Rea
Vice President, The Mutual Life Assurance Company of Canada, Toronto

John G. Sheppard
Executive Vice President – Financial

Frank H. Sherman
President and Chief Executive Officer

Officers

Frank H. Sherman
President and Chief Executive Officer

R. Ross Craig
Executive Vice President – Commercial

John G. Sheppard
Executive Vice President – Financial

David A. Lindsey
Vice President – Raw Materials, Purchases and Traffic

William C. Hassel
Vice President – Operations

F. John McMulkin
Vice President – Research

William J. Stewart
Vice President – Product Quality and Development

Jack Plumpton
Vice President and Comptroller

David H. Samson
Vice President – Engineering

Paul J. Phoenix
Vice President – Planning

Donald A. R. Pepper
Vice President – Personnel

William D. Simon
Vice President – Sales

Thomas Van Zuiden
Vice President – Treasurer

William L. Wallace
Vice President and Works Manager

H. Graham Wilson
Secretary

Alan D. Laing
Assistant Comptroller

Bill P. Solski
Assistant Treasurer

Robert J. Swenor
Assistant Secretary

Robert E. Wodehouse
Assistant Comptroller

Hendrik A. Keur
Assistant Comptroller

Robert W. Grunow
Assistant Comptroller

President's message

I am pleased to report that 1978 was one of the best years in Dofasco's history. We are optimistic about the future and expect to operate at or near capacity throughout 1979.

I have, for some time now, been concerned about the level of pessimism in Canada. There is a need for a more balanced view than is often presented in newspapers, radio and television today. Reporting tends too often to be short term in context and biased towards the negative. More and more businessmen I have spoken with in recent months have said their business is good, or excellent, or even at record levels.

Certainly there are problems. Inflation continues to result in higher costs for inventories and plant expansion. Our declining dollar has increased the cost of capital and imported goods. However, it has also provided stronger demand for Canadian exports and helped to protect domestic markets for Canadian manufacturers. Although unemployment rates are still high, government statistics indicate that the economy generated over 300,000 new jobs during 1978. Inventories in many manufacturing plants have been declining and there has been an increase in the use of Canadian production capacity throughout the year. I believe that Canada's economy is in better shape than most people realize.

Performance and outlook

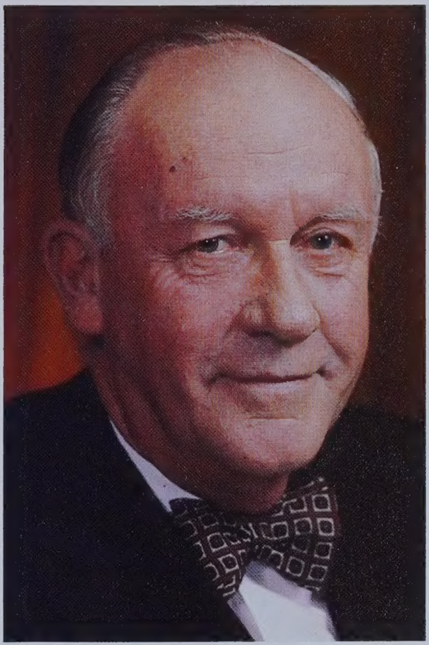
Dofasco's sales during 1978 exceeded $1 billion for the first time and records were set in production, shipments and net income. Employment in our steelmaking operations increased by over 600. In 1978, we earned a 6.8% return on average capital employed. In the last five years, our return ranged from a high of 11.1% to a low of 5.8% and the average return was identical to that of 1978. During the period 1974 through 1978, Dofasco's profits totalled $356 million while capital expenditures were $651 million. We expect the total Canadian demand for steel to grow at an average annual rate of 4% during the next 10 years. In order to maintain our market share, we are expanding to meet this growing demand and high levels of capital expenditure are necessary. It is essential that we earn profits which are adequate to the needs of our reinvestment requirements and to provide dividends which are competitive in capital markets.

Dofasco's first priority is to serve the Canadian market. Although our production was higher in 1978, domestic demand for flat rolled products exceeded supply. Our low level of exports, traditionally in the 10% range, was reduced even further in an effort to better meet Canadian requirements.

The outlook for Dofasco in 1979 is excellent. Demand for all of our major flat rolled products continues to be strong and we expect to be selling on an allocated basis at least until midyear.

Government and the economy

The Federal and Provincial Governments have agreed that the burden of regulation on the private sector should be reduced, overlapping regulations should be eliminated, and the rate of increase in expenditures should be held to less than the growth rate in the economy. These are encouraging steps and we look forward to the actual implementation of these policies.



The Federal Government should be commended for its recognition of the problems arising from imports into Canada at prices lower than those charged in the home markets of foreign producers. The Government's Benchmark Pricing System for steel imports is now available as a defensive mechanism against these practices.

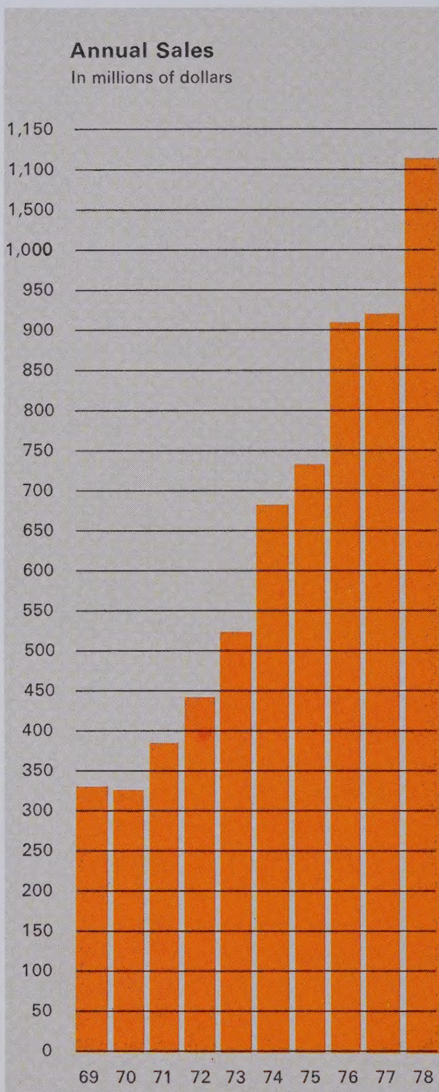
Management changes

In June, Thomas Van Zuiden was appointed Vice President – Treasurer. Mr. Van Zuiden joined Dofasco in 1952 and was Treasurer prior to this appointment. In February 1979, William L. Wallace was appointed Vice President and Works Manager. Mr. Wallace came to Dofasco in 1956 and had most recently held the position of Works Manager.

On behalf of the Board of Directors, I would like to thank our customers and shareholders for their continued support, and our employees for their enthusiasm and outstanding performance.

Hamilton, Ontario
March 15, 1979

F. H. Sherman
President



Commercial

Consolidated sales in 1978 were $1,120 million. This record resulted from an increase in flat rolled steel shipments to 2,737,193 net tons, higher selling prices which were necessary to offset rising costs and changes in our product mix. The Company's subsidiaries also contributed to revenue growth. National Steel Car had sales of $68.7 million in 1978 while Prudential Steel's sales were $57.4 million.

Capacity operations and expanded facilities enabled us to increase flat rolled shipments by 6.5%. Our shipments to the domestic market were up 11.5% and exports were reduced by 27% in order to better serve Canadian customers.

Castings shipments increased 3.0% to 26,165 net tons, reflecting stronger railway car demand.

We estimate that total Canadian flat rolled steel deliveries, including imports, increased about 12% in 1978. Demand for all flat rolled products was good throughout the year, especially during the second half. This overall market improvement was broadly based. Import displacement, along with expanded export opportunities for our Canadian customers, created a good deal of this increased demand. Automotive, tubing, roll forming and stamping were particularly strong, with the construction and agricultural equipment industries showing gains during the third and fourth quarters.

Outlook

Higher business investment expenditures together with more consumer spending and increased exports of Canadian manufactured goods should lead to gains in real output and employment in 1979. This growth should be reflected in expanding markets for flat rolled steel throughout the year. We expect the capital goods sector to show the strongest increase, followed by improvements in agricultural equipment and appliance industries. Because of their increased competitiveness, Canadian automotive plants should also require more steel in 1979.

Increasing domestic demand, coupled with rising import prices, indicate continuing capacity operations for the Canadian steel industry. These higher foreign steel prices have been one factor accounting for the recent tight domestic steel supply. Even without the decline in our dollar, Canadian mill prices would be below most other world producers' prices in their home markets.

Increasing costs and the need to generate an adequate return on expensive new facilities will put continuing upward pressure on domestic steel prices. However, we believe that we can maintain a reasonable competitive advantage relative to foreign steel prices.

1979 is expected to be a better than average year at National Steel Car. In January, the Canadian Wheat Board placed a 1,000 car order which will keep National's covered hopper car line in continuous operation through to year-end. Although National has accepted some export orders, it has and will continue to concentrate on serving Canadian markets first.

Prudential Steel entered 1979 operating at near capacity. The market outlook for its products continues to be good, especially for oil well casing and tubing.

The outlook for BeachviLime is

excellent and capacity operations are expected throughout 1979.

Baycoat is experiencing strong demand for its pre-coated steel and the outlook remains excellent.

Production

In 1978, our plant produced 3.59 million tons of ingots and castings. This record performance was 7.7% greater than last year's output of 3.33 million ingot tons.

The main reason for production gains in 1978 was the start-up of new equipment during the summer, including the following:

- a second basic oxygen steelmaking shop with an initial capacity of 1 million ingot tons per year;
- a sixth coke oven battery which increased cokemaking capacity by 35% to a level which will support annual steel production of 4.2 million ingot tons;
- 8 new soaking pits and a new crop shear which together added 400,000 tons to annual hot rolling capacity.

The new installations experienced smooth start-ups and reached expected production levels ahead of schedule. Although our blast furnaces are capable of supporting steelmaking at the 4.0 million annual ingot ton level, our current hot rolling facilities limit overall plant capacity to the 3.7 million ingot ton range. By year-end, the plant was producing at this capacity rate.

1978 was a successful year for our subsidiaries as well. Production at National Steel Car exceeded 1977 levels. At BeachviLime, the break-in period was completed on the third lime kiln and tonnage was well ahead of 1977.

Prudential Steel also experienced production gains in 1978. The hollow structural mill, which produces a variety of pipe and tubing products, was expanded in 1978 to include facilities for finishing, testing and inspecting line pipe for the oil and gas industries. This provided greater flexibility and increased capacity. Pipe threading and upsetting equipment was also installed, enabling Prudential to produce a broader line of products.

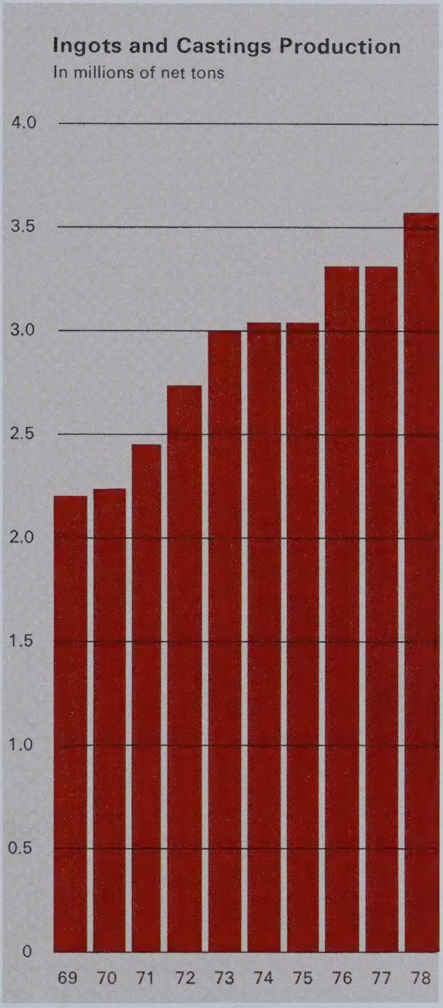
Baycoat achieved a substantial increase in output in 1978 with all three coating lines operating at capacity. The highlight of the year occurred on December 11 with the coating of Baycoat's one millionth ton of prepainted steel since its start-up in 1966.

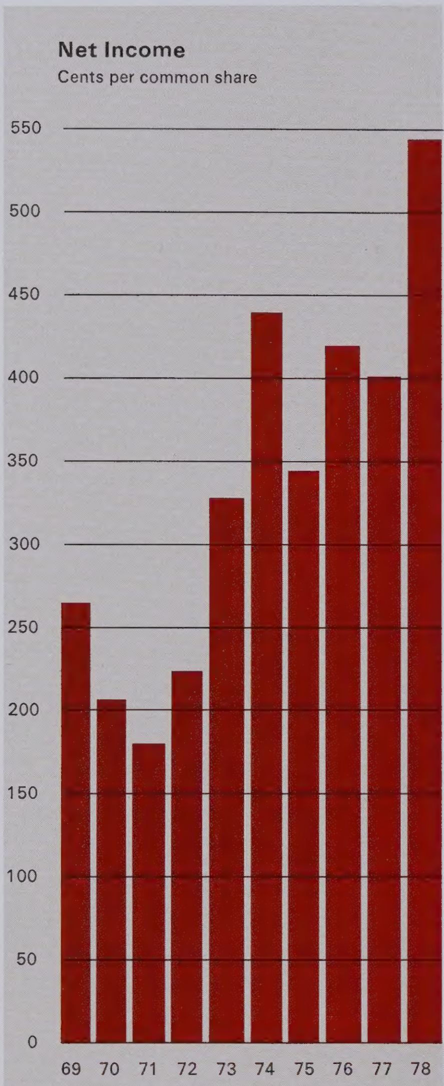
Financial

Consolidated financial results for 1978 were excellent with net income per common share at a new high of $5.42, up from $4.01 in 1977. Dividends paid on January 1, 1979 were at the quarterly rate of 45¢ per Class A common share.

Following changes in the Income Tax Act, the shareholders approved an application for supplementary letters patent enabling Dofasco to pay stock dividends to holders of Class B common shares. The Company's ability to pay tax-deferred cash dividends on these shares expired at the end of 1978. The first stock dividend was distributed on January 1, 1979. The Company's Class A and Class B common shares remain fully interconvertible.

The earnings of Dofasco's subsidiaries were higher this year with the exception of National Steel Car whose operations were interrupted by a four month strike. Prudential Steel showed gains with increased shipments and sales. BeachviLime





had higher sales and profits. Baycoat also had an excellent year in 1978 with increased earnings.

Financial Position

The working capital of the Company declined during the year by approximately $5 million, despite significant increases in funds from operations. The main reason for the reduction was the use of funds to finance plant expansion.

Late in 1978, the paid-up capital of Dofasco's issued and outstanding common shares was increased by $35 million through a transfer from retained earnings. This technical change did not involve any payment or distribution to the shareholders and the aggregate shareholder equity remains unchanged. The increase in paid-up capital allowed certain corporations holding Dofasco shares to pay dividends to their own shareholders on a tax-deferred basis. It also may provide Dofasco with more flexibility in any future corporate reorganizations or acquisitions.

Capital expenditures

Our investment in new facilities and equipment in 1978 was $134 million after deducting investment tax credits of $6.8 million. The Federal Government's investment tax credit provisions which are designed to encourage spending on new plant and equipment are a helpful incentive. Since it is Dofasco's policy to deduct these credits from the cost of new construction during the year, depreciation expense will be reduced accordingly in future years.

As of December 31, 1978, it was estimated that $146 million will be required to complete authorized capital projects of Dofasco and its subsidiaries. This amount includes approximately $40 million for the construction of a fourth galvanizing line.

Inflation

The Federal Government allows the Company to claim a tax deduction of 3% of the year's opening inventories. However, this measure compensates for only a small part of our rising inventory costs. For example, at our steel plant alone, 1978 year-end inventories were almost $28 million or 11.5% higher than they would have been at 1977 year-end prices.

Pension Costs

Dofasco is conscious of the need to provide for the future of employees in an equitable manner. The Company and its employees have been making payments towards funding of retirement incomes for over 40 years. It has also been our policy to pay for the cost of increases in lifetime benefits to existing pensioners whenever their pensions have been upgraded. This is a conservative approach to the funding of employee retirement plans and results in relatively low unfunded past service costs in comparison to some companies.

Planning

To meet growing markets for galvanized products, we will begin construction of a new galvanizing line in 1979 with start-up scheduled for 1981. This addition will increase Dofasco's galvanizing capacity by 35%.

To prepare for future expansion, we are now actively planning a second hot strip mill. This mill would be a major contributor towards achieving a production level of 4.2 million tons annually by the mid 1980's. It would also provide the

potential to expand our hot rolling capacity to the 6 million ton level. No commitment has yet been made as to when such a mill might be built.

Major maintenance projects scheduled for 1979 include the shutdown of no. 1 blast furnace for a reline and repairs to three coke oven batteries at our no. 1 coke plant. Both projects are scheduled to begin in late 1979 with coke oven repairs expected to require about 12 months to complete.

During the blast furnace reline, production will be reduced in both our ironmaking and steelmaking operations. However, we do not anticipate any reductions in shipments as there should be sufficient ingot supply from inventory to maintain planned production levels.

Repairs to the coke oven batteries will reduce coke production. However, we are stockpiling to maintain the planned tonnage requirements. These repairs, when completed, will extend the life of the batteries by 10-15 years at a relatively low cost to the Company.

At Guelph DoLime, new induction draft fans were installed on two of their fifteen shaft kilns during 1978, increasing capacity on these kilns by 50%. A further ten kilns will be so equipped in 1979, with similar capacity increases anticipated.

Baycoat has commenced construction of a fourth coating line which is scheduled for completion in December 1979.

Raw materials

The Company's 1978 iron ore requirements were 4.2 million gross tons, of which almost 4.0 million gross tons were expected to be provided from mines in which Dofasco has ownership interests. The Sherman Mine achieved record production in excess of 1.1 million gross tons and the Adams Mine improved slightly on their previous year's record production of approximately 1.2 million gross tons. Due to disruption of railway service during the early part of 1978, scheduled shipments of 950,000 gross tons of pellets from Wabush Mines were decreased by 350,000 gross tons. Temporary failure of the crude ore unloading facility at the Eveleth Expansion Company resulted in a shortfall of 100,000 of the 676,000 gross tons expected from that source. These shortfalls in our requirements were made up through open market purchases.

In 1979, our requirements will be approximately 4.4 million gross tons. We expect that 4.0 million gross tons will be provided by our share of production from these four mines. The remainder will be obtained through open market purchases.

Based on current annual mine production levels, it is estimated that the ore reserves are sufficient to enable production to continue for 20 years at Adams, 25 years at Sherman, 62 years at Wabush and 60 years at Eveleth.

While Dofasco continued to rely mainly on traditional United States sources for metallurgical coking coal, almost 25% of our 1978 requirements were obtained from Canada. Half of this amount was low volatile coal from a western source. We also obtained 250,000 tons of high volatile coal from Cape Breton Development Corporation (Devco) in Nova Scotia and expect to obtain a larger tonnage in 1979. Depending on the outcome of our testing of this high volatile coal, we may negotiate a long term purchase contract with Devco.

Dofasco's coal requirements for 1979 are estimated to be 2.0 million tons. We expect to receive approximately 150,000 tons from Itmann Coal in West Virginia, in which Dofasco has a 9% ownership interest. The remainder will be made up from a combination of contract sources, inventory on hand and open market purchases.

All of Dofasco's requirements for high calcium lime and limestone are provided by BeachviLime. During 1978, Guelph DoLime purchased a dolomitic limestone quarry near Guelph, Ontario. This quarry provides Dofasco with the major portion of its dolomitic lime and offers a controlled source for dolomitic limestone.

Research and product development

The Company's research programs again emphasized the reduction of operating costs. Establishment of more stringent specifications for some raw materials is saving energy in our primary production processes. Ongoing research into other materials, such as steel scrap, is helping to improve the yields from steelmaking operations.

The product research group undertook production testing of new steels with special microstructures which provide both high strength and good formability. Other projects

included studies of the fatigue properties of different steels in corrosive environments and the continuing evaluation of the undervehicle rusting behaviour of various steel products. These are part of the automotive program to reduce weight and improve corrosion resistance.

After the completion and testing of several prototypes, North America's first three housing units incorporating Dofasco-designed steel basements were introduced on a commercial basis during 1978. The flat rolled product development group also continued to support the Company's marketing activities by providing design assistance to our customers.

Dofasco's transportation product development team has gained an international reputation for innovative design in rail car suspensions. New coaches incorporating Dofasco-designed trucks for Ontario's GO Transit Bi-Level trains were put into service in 1978. As well, we provided increased technical support to railway markets and for the first time undertook contract engineering work in transportation equipment. Production engineering on under-carriages for the Canadian-designed "LRC" (Light, Rapid, Comfortable) train is nearing completion. We are now participating in the development of new high-performance wheel assemblies for freight cars.

In 1978, Dofasco participated with other Canadian steel producers in establishing the Canadian Steel Industry Research Association. The purpose of this organization is to promote steel research through greater coordination between our industry, government, and colleges and universities.

The environment

In June 1978, Ontario's Ministry of the Environment published a report titled "Air Quality in Hamilton 1970-1977". This report concluded that suspended particulate matter in the City's air has decreased by 44% during the 1970's. The Ministry estimates that Dofasco's particulate emissions have been reduced by 60% over the same time period, while our steel production has grown by 43%. During the 1970's, the Company's capital expenditures for environmental control have totalled over $100 million, including $25.5 million in 1978. Total operating costs of our control equipment in 1978 were approximately $11 million.

Our no. 2 basic oxygen steelmaking shop and new coke plant, both completed this year, include the most modern equipment available for minimizing emissions from these operations. We are also continuing to upgrade environmental control on existing facilities. Projects underway or recently completed include:

- three additional spray towers to provide a total of eleven such units operating to reduce dust from our coal storage piles;
- systems to capture casting emissions from our no. 2, 3 and 4 blast furnaces, which when completed, will make Dofasco the first Canadian steel producer to have all its furnaces fitted with fume collection devices;
- a new clarifier to clean waste water from both steelmaking operations;
- a new system to collect emissions from charging and tapping of the basic oxygen furnaces in the no. 1 steelmaking shop; and
- expansion of the hot mill water filtration plant.

Occupational health

Dofasco's occupational environment division, which includes safety and occupational hygiene, regularly evaluates employee exposure to conditions such as noise, dust and toxic substances which may be hazardous to health. When problem areas are identified, programs are developed to protect against or eliminate these conditions.

Our safety and occupational environment groups work together with many other company departments. For example, such cooperative efforts have provided the Company's new steelmaking shop and coke plant with up-to-date environmental control and safety equipment and have led to the development of effective noise control devices on our heavy trucks.

As part of a Dofasco-McMaster University study, our medical department continued its research into the presence of potentially carcinogenic substances in the foundry area. Preliminary investigations towards developing a test that may quickly identify such substances have been completed. The

A stripper crane removes moulds from hot steel ingots. The ingots are then transported by truck to the hot mill where they are rolled into strip.

Company's medical and occupational environment personnel are now carrying out tests in the foundry and coke oven areas.

Another aspect of Dofasco's approach to its employees involves our Employee Assistance Program. The program began in 1964 as a way to help employees experiencing problems with alcoholism. It has since been expanded to address a broader range of personal problems that may affect an employee. If outside assistance is required, our staff will advise the employee of an appropriate agency and will continue to follow the individual's progress throughout the program.

The D. F. Hassel Centre which houses our personnel, medical, occupational hygiene and safety groups is one of the finest of its kind in Canada. An addition to this building, completed in January 1979, provides improved facilities for these functions and will allow our medical department to expand its services.

Government relations

We believe that individuals and business should contribute to the development of legislation and government programs. During this past year, Dofasco communicated often with all levels of government offering information, opinions and, at times, criticisms.

For many years, concerns have been expressed about the increasing costs which result from excessive government intervention and regulation in the private sector. We are encouraged that governments are beginning to share these concerns and that both the Provincial and Federal Governments are taking some initiatives towards regulatory reform. The Ontario Government's Agency Review Committee, operating under the direct authority of a Cabinet Minister, has already begun to dismantle some regulatory machinery which had outlived its usefulness. The Federal Government has directed the Economic Council of Canada to undertake a major review of the effects and costs of a number of regulations. Another positive step of some governments is their stated commitment to assess the economic and social impacts of proposed new regulations in certain areas before they become law.

In March of 1978, the report of the Royal Commission on Corporate Concentration was published. Among its conclusions, the Commission stated that to compete more effectively on a world scale, Canadian corporations in some industries must be large and that concentration in domestic markets is a natural result. The Commission also concluded that the merger and joint monopolization provisions in Ottawa's proposed competition legislation would create unnecessary barriers to economic development in Canada – a view presented in earlier Dofasco submissions to the Federal Government.

At the First Ministers' Conference in November 1977, the Federal and Provincial Governments made a commitment to examine the competitive position of Canada's major manufacturing sectors. We participated with other members of the steel industry and government representatives during 1978 in preparing a report on the Canadian primary iron and steel sector. This report concluded that, if our industry is to serve the country's needs for steel and remain competitive, governments must provide an environment which encourages investment and productivity.

Together with other integrated Ontario steel producers the Company made a submission to the International Joint Commission which administers the Canada-United States Great Lakes Water Quality Agreement. The brief provided data concerning the economic impact to our industry of certain new and revised water quality proposals and stressed the importance of early input from the industry in the formulation of new standards.

Dofasco responded to an invitation from the Ontario Law Reform Commission for input into their study on the subject of product liability. Our brief expressed concern that any Ontario legislation which might be developed should recognize that not all members in the production chain should necessarily be exposed to the same breadth of liability. Most of Dofasco's business involves the production of primary steel products which are sold to customers for fabrication into other products over which the Company has no control.

During 1978, we also provided comments to the Ontario Government and members of the opposition parties regarding Bill 70 – An Act Respecting the Occupational Health and Occupational Safety of Workers. As a result of representations from a variety of concerned groups, a number of changes were made to the Bill.

A high speed coiler receives a half mile long strip of steel after hot rolling.

Community and employee relations

Over the years, Dofasco has encouraged its people to contribute to activities which improve the quality of life in the community. A great number of our employees give freely of their own time and energy to participate in worthwhile social, cultural and recreational organizations. Some provide their business skills to help in the management and planning of the work of community agencies, while many others work directly with people who are in need of personal assistance, such as the handicapped. In addition, a number of our employees serve on elected municipal councils and boards. All these people are making important contributions. We congratulate them and will continue to support and encourage their efforts.

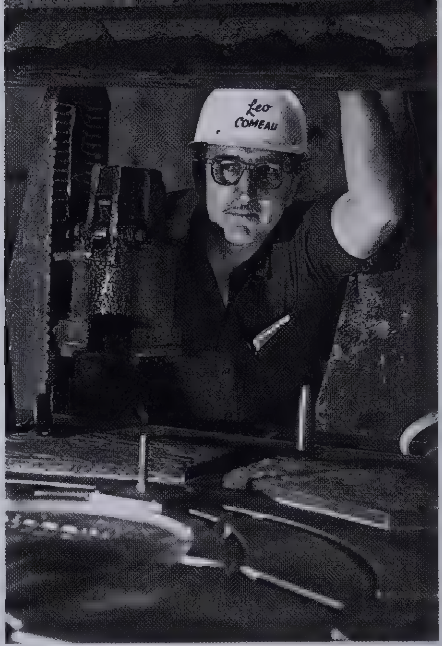
Dofasco's social commitment is also reflected through the Company's corporate donations policy which supports educational, cultural, health and welfare programs at both local and national levels. As well, almost all of our people make voluntary contributions to the Employees' Charity Chest which in 1978 donated close to half a million dollars to charitable organizations.

Employee Relations

Dofasco's Supplementary Retirement Income Plan (SRIP) was amended in 1978 to provide increased pensions to retired employees. SRIP is a plan which provides a certain minimum retirement income by supplementing, where necessary, pension benefits arising from Dofasco's profit sharing fund and government pension plans. The latest SRIP amendment also provided supplements to widows of retired employees. In addition, provisions which had allowed early retirement when an employee was 55 years of age and had 25 years of service were broadened to also permit retirement after 35 years of service regardless of age.

Our corporate support for in-career education focuses on programs which relate employees' skills to opportunities available within our business. In 1978, over 1,000 Dofasco employees took part in some form of educational training with Company encouragement and assistance. This represents about 10% of our total work force and does not include the many employees who attended seminars covering topics related specifically to their job functions.

The Dofasco Recreation Centre was officially opened in June 1978. This 50-acre complex includes facilities for a variety of outdoor sports together with change houses and parking. The central site for the Company's recreation program has been well received by our employees.



Dofasco encourages its employees to participate in worthwhile community activities. Leo Comeau, a shift leader, Steel Castings Division, is also a volunteer fire fighter with the Mount Hope Fire Department.

Auditors' report

To the Shareholders of
Dominion Foundries and Steel, Limited:

We have examined the consolidated statement of financial position of Dominion Foundries and Steel, Limited as at December 31, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Hamilton, Canada,
February 1, 1979.

Consolidated statement of income and retained earnings

for year ended December 31, 1978 (with comparative figures for 1977)

	$000's			
		1978		1977
Income				
Sales (note 10)		**$1,120,383**		$919,036
Cost of sales (excluding the following items)	**$892,125**		$752,151	
Depreciation and amortization	**53,370**		47,063	
Employees' profit sharing	**13,189**		8,529	
Interest on long term debt	**35,195**	**993,879**	34,434	842,177
Income from operations		**126,504**		76,859
Income from investments		**12,418**		12,759
Income before income taxes		**138,922**		89,618
Income taxes		**44,000**		21,100
Net income for year		**$ 94,922**		$ 68,518
Retained Earnings				
Balance at beginning of year		**$ 452,258**		$414,019
Add:				
Net income for year	**$ 94,922**		$ 68,518	
Discount on $100 preferred shares purchased for cancellation	**154**	**95,076**	123	68,641
		547,334		482,660
Deduct:				
Dividends declared –				
Preferred shares	**9,485**		5,415	
Common shares (including stock dividends with a cash equivalent of $710,000)	**26,120**		24,414	
Capitalization of retained earnings (note 7)	**35,000**		—	
Cost of issuing $25 preferred shares	—	**70,605**	573	30,402
Balance at end of year		**$ 476,729**		$452,258
Earnings and Dividends per Common Share				
Net income for year (as above)		**$ 94,922**		$ 68,518
Deduct preferred dividends – $100 preferred		**927**		951
– $ 25 preferred		**8,558**		4,464
		9,485		5,415
Net income available for common shareholders		**$ 85,437**		$ 63,103
Net income per common share (after preferred dividends)		**$ 5.42**		$ 4.01
Dividends declared per common share (including stock dividends having a substantially equivalent value)		**$ 1.65¾**		$ 1.55

See accompanying notes to consolidated financial statements

Consolidated statement of financial position

December 31, 1978 (with comparative figures at December 31, 1977)

	$000's 1978	1977
Current Assets:		
Cash	**$ 17,070**	$ 11,733
Short term investments at cost and accrued interest	**110,249**	180,053
Accounts receivable	**159,930**	107,965
Inventories (note 2)	**327,451**	280,698
	614,700	580,449
Current Liabilities:		
Bank indebtedness	**20,613**	5,749
Accounts payable and accrued charges	**150,494**	134,113
Amounts payable for employees' profit sharing	**13,189**	6,529
Income and other taxes payable	**8,159**	6,735
Dividends payable	**8,936**	8,521
Current requirements on long term debt (note 5)	**1,959**	2,079
	203,350	163,726
Working Capital	**411,350**	416,723
Fixed assets, less accumulated depreciation and amortization (note 3)	**874,856**	794,101
Investments (note 4)	**5,995**	6,622
Unamortized debenture discount and issue expense	**4,009**	4,315
Capital Employed	**1,296,210**	1,221,761
Deduct:		
Long term debt (note 5)	**339,363**	357,000
Income tax allocations relating to future years	**217,500**	185,900
	556,863	542,900
Shareholders' Equity	**$ 739,347**	$ 678,861
Represented by:		
Preferred shares (note 6)	**$ 169,372**	$ 169,811
Common shares (note 7)	**92,536**	56,792
Stock dividend distributable (note 7)	**710**	—
Retained earnings	**476,729**	452,258
	$ 739,347	$ 678,861

On behalf of the Board:

F. H. Sherman, Director

G. H. Blumenauer, Director

See accompanying notes to consolidated financial statements

Consolidated statement of changes in financial position

for year ended December 31, 1978 (with comparative figures for 1977)

	$000's	
	1978	1977
Source of Funds:		
Operations –		
Net income for year	**$ 94,922**	$ 68,518
Depreciation and amortization	**53,370**	47,063
Income tax allocations relating to future years	**31,600**	16,300
Other changes	**306**	263
Funds from operations	**180,198**	132,144
Proceeds from debenture issue (net)	**—**	73,500
Preferred shares issued for cash (less related costs)	**—**	149,427
Common shares issued for cash	**744**	—
Decrease in investments (net)	**627**	2,486
	181,569	357,557
Application of Funds:		
New facilities and equipment (after deducting investment tax credits, 1978 – $6,803,000; 1977 – $8,479,000) –		
Manufacturing	**128,205**	152,168
Mines and quarries	**5,920**	7,906
Reduction in long term debt –		
Debentures	**7,237**	2,626
Revolving bank credit and other	**10,400**	967
Preferred shares purchased for cancellation	**285**	232
Dividends to shareholders –		
Preferred shares	**9,485**	5,415
Common shares	**25,410**	24,414
	186,942	193,728
INCREASE (DECREASE) IN WORKING CAPITAL	**(5,373)**	163,829
WORKING CAPITAL AT BEGINNING OF YEAR	**416,723**	252,894
WORKING CAPITAL AT END OF YEAR	**$ 411,350**	$ 416,723

See accompanying notes to consolidated financial statements

Notes to consolidated financial statements

December 31, 1978

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. They are based on information available to February 1, 1979, and are within the framework of the accounting policies summarized below:

1. Accounting policies –

a) Basis of consolidation –

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, as well as the Company's proportionate share of the assets, liabilities and results of operations of its joint venture activities (Sherman Mine, Wabush Mines, Eveleth Expansion Company and Baycoat Limited).

All significant inter-company transactions are eliminated.

b) Translation of foreign currencies –

Foreign currency balances are translated into Canadian dollars at year end rates of exchange for working capital items, except for inventories. Inventories and all long term amounts are translated using historical rates. Actual exchange rates in effect during the year are used for all revenue and expense items except for depreciation and amortization which are translated at historical rates. Any resulting translation gains or losses are reflected in income.

c) Inventories –

Inventories of materials, supplies, work-in-process and finished products are valued at the lower of average cost and net realizable value. Physical inventory quantities are determined at least annually by actual examination, or for certain raw materials, by aerial survey.

d) Fixed assets and related investment tax credits –

Fixed assets are recorded at their historical cost, which includes the cost of installation. While costs to bring a mineral property into production are capitalized as part of the cost of the property, production stripping at mines and quarries is expensed as incurred.

Investment tax credits related to fixed asset expenditures are recorded as a reduction of the cost of fixed assets.

Depreciation is computed generally on the straight-line method applied to the cost of the assets at rates based on their estimated useful life, as follows:

Buildings	2½ to 5%
Equipment	6 to 7½%
Automotive	20 to 25%
Mine and quarry facilities	4½ to 5%

e) Relines and maintenance costs –

The cost of relining blast furnaces is accrued over the estimated life of the existing lining.

Repairs, maintenance, research, development, and start-up costs generally are expensed as incurred.

f) Income taxes –

The provision for income taxes is reduced by statutory deductions associated with iron production and processing and with the 3% inventory allowance.

Income tax regulations permit the deduction of certain costs (principally depreciation) at a more rapid rate than the Company uses in its accounts. The tax effect of these timing differences is recognized in the accounts as "income tax allocations relating to future years".

g) Retirement plans –

The Company has funded retirement plans covering substantially all of the employees. Pension costs charged against income during the year, based on amounts estimated by independent actuaries, include amounts for current and past service. Costs for unfunded past service will be amortized over periods not exceeding fifteen years.

h) Profit sharing on steelmaking operations –

For eligible employees involved in steelmaking operations, the Company allocates 11% of steelmaking profits before income taxes to the Employees' Savings and Profit Sharing Fund and the Employees' Deferred Profit Sharing Plan.

2. Inventories –

	1978	1977
Materials and supplies	$175,588,000	$153,946,000
Work-in-process and finished products	151,863,000	126,752,000
	$327,451,000	$280,698,000

3. Fixed assets (including joint venture net assets, 1978 – $105,790,000; 1977 – $110,141,000) –

	1978	1977
Manufacturing facilities and equipment, at cost	$1,173,061,000	$1,047,336,000
Mine and quarry facilities, at cost	226,706,000	221,909,000
	1,399,767,000	1,269,245,000
Less accumulated depreciation and amortization	524,911,000	475,144,000
	$ 874,856,000	$ 794,101,000

4. Investments –

	1978	1977
Investments in and advances to coal companies, at cost	$2,094,000	$2,377,000
Notes, mortgage bonds and other	3,901,000	4,245,000
	$5,995,000	$6,622,000

5. Long term debt –

	1978	1977
Sinking fund debentures –		
6½% due May 15, 1987	$ 22,992,000	$ 24,929,000
9% due February 1, 1991	40,798,000	42,090,000
10% due June 1, 1994	45,347,000	49,355,000
10⅞% due May 15, 1995	60,000,000	60,000,000
10⅝% due March 15, 1996	60,000,000	60,000,000
9⅝% due February 15, 1997	75,000,000	75,000,000
Eveleth Expansion Company first mortgage bonds (proportionate share) –		
9½% due 1995 (U.S. $29,600,000)	29,993,000	31,574,000
10% due 1995 (U.S. $7,296,000)	7,192,000	7,571,000
Revolving bank loan –		
BeachviLime Limited	—	3,800,000
Baycoat Limited (proportionate share)	—	4,250,000
Term bank loan of Prudential Steel Ltd.	—	510,000
Outstanding at December 31	341,322,000	359,079,000
Less current requirements	1,959,000	2,079,000
	$339,363,000	$357,000,000

If the Eveleth Expansion Company first mortgage bonds were translated into Canadian dollars at the year end rate of exchange, the total long term debt outstanding at December 31, 1978 would increase by $6,197,000. This is not necessarily indicative of the amount which will be repaid when the obligations are retired.

Requirements for repayment within the next five years are as follows:
1979 – $1,959,000; 1980 – $4,559,000; 1981 – $10,223,000;
1982 – $12,320,000; 1983 – $14,435,000.

The Company has revolving bank credit available until December 31, 1989 in the amount of $100,000,000 in Canadian funds plus an additional $50,000,000 in either Canadian or U.S. funds. Interest is at the rate of ⅜ of 1% above the prime commercial rate. During 1978, none of the revolving bank credit was used.

6. Preferred shares –

Authorized – preferred shares issuable in series:
$100 preferred shares – 500,000
$ 25 preferred shares – 12,000,000

Issued less redeemed:

	Shares	Dollars
$100 preferred shares		
4¾% cumulative redeemable preferred shares, Series A	193,715	$ 19,372,000
$25 retractable preferred shares		
Series 1, 2 and 3, having a variable dividend rate of ½ of the average prime bank rate plus 1¼%	6,000,000	150,000,000
		$169,372,000

$100 Preferred shares –

The Company must establish a purchase fund to redeem or purchase an aggregate amount of 2% per year of the outstanding $100 preferred shares. To December 31, 1978, an aggregate of 56,285 shares have been purchased for cancellation (including 4,390 during 1978 for $285,000). Accordingly, the Company has met all its purchase requirements to date under the provisions attached to this class of shares. The shares may be redeemed by the Company at a premium of $1 per share. In compliance with Section 62 of the Canada Corporations Act, retained earnings of $5,628,500 are designated as capital surplus.

$25 Preferred shares –

The Company must offer to purchase Series 1, 2 and 3 shares at par plus accrued dividends on their respective initial retraction dates of July 15, 1984, 1985 and 1986 and thereafter on the fifth and tenth anniversaries of such dates. The shares may not be redeemed prior to July 15, 1980 but may be purchased for cancellation prior to such date at a price not exceeding $26 per share plus accrued dividends. After July 15, 1980 the shares may be redeemed at a reducing premium to July 14, 1983 and at par thereafter. They may be purchased for cancellation after July 15, 1980 at prices not exceeding the current redemption price. During 1978, no shares were purchased for cancellation.

7. Common shares –

Authorized – 25,000,000 Class A convertible common shares without nominal or par value
– 25,000,000 Class B convertible common shares without nominal or par value

Issued – 14,136,838 Class A common shares
– 1,642,755 Class B common shares
15,779,593 total common shares

The Class A shares and Class B shares are convertible into each other on a share-for-share basis and rank equally in all respects, including dividends. Prior to January 1, 1979, tax-deferred cash dividends were paid on the Class B shares; as a result of amendments to the Income Tax Act, such dividends may not be paid after December 31, 1978. By supplementary letters patent issued in 1978, the attributes of the Class B shares were altered to permit the directors, at their discretion, to pay stock dividends on the Class B shares of additional Class B shares having a value substantially equivalent to cash dividends paid on the Class A shares.

In accordance with a resolution approved by the shareholders on November 24, 1978, the Company transferred $35,000,000 from retained earnings to the paid-up capital relating to the issued and outstanding Class A and B shares; the aggregate shareholder equity remains unchanged. This may permit greater flexibility in the event of future reorganizations or acquisitions.

The 1974 employee stock option plan, which expires March 28, 1984, authorizes the directors to grant options to employees of the Company to purchase up to an aggregate of 480,000 of the unissued Class A shares. The number of shares covered by each option varies with changes in the optionee's remuneration and therefore cannot be determined until the last year of its term. During the year 28,439 Class A shares were issued under the plan for $744,000. At December 31,

Notes (continued)

1978, the following options to purchase an aggregate of 196,521 common shares were outstanding:

	Held by	
Option Price per share	Directors and Officers	Other Employees
$28⅛	50,320	58,412
$25½	36,912	50,877

No options are held by directors who are not full-time employees.

The disclosure of fully diluted earnings per share, after giving effect to the possible exercise of outstanding stock options, is omitted as the effect is immaterial.

8. Retirement plans –

The estimated unfunded past service cost to be charged against income in future years amounts to $35,000,000.

9. Commitments –

The amount required to complete authorized capital projects is estimated to be $146,000,000 at December 31, 1978.

10. Sales –

Consolidated sales include those of the following wholly-owned subsidiaries:

	1978	1977
National Steel Car Corporation, Limited	$68,747,000	$59,570,000
Prudential Steel Ltd.	$57,424,000	$40,866,000

11. Anti-Inflation program –

The Company was subject to mandatory compliance with the Anti-Inflation Act. The provisions covering employee compensation and shareholder dividends were phased out at various times during 1978 while those covering prices and profit margins expired at December 31, 1978. Management is of the opinion that the Company has complied with all provisions of the Act and Regulations.

12. Statutory information –

Remuneration of directors and officers for the year was as follows:

a)	Fees of twelve directors	$ 91,000
b)	Remuneration of fourteen officers (including four directors)	1,408,000
	Total remuneration of directors and officers	$1,499,000

The above includes directors' fees paid by National Steel Car Corporation, Limited of $2,400 and Prudential Steel Ltd. of $3,500.

Ten year summary of production and financial data

Statement of income data

Sales*
Cost of sales (excluding the following items)*
Depreciation and amortization*
Employees' profit sharing*
Interest on long term debt (less discount on purchase of debentures)*
Income from investments*
Income before income taxes*
Income taxes*
Net income for year*
Net income available for common shareholders*†

Financial position data

Working capital*
Fixed assets* – land, buildings and equipment, at cost
– accumulated depreciation
Total other assets*
Capital employed*
Long term debt*
Income tax allocations relating to future years*
Total shareholders' equity*

Statistical data

Production of ingots and castings – net tons*
Shipments of flat rolled products and steel castings – net tons*
Net income per common share†
Net income – percent of sales†
Net income – percent of average capital employed†
Net income – percent of average common shareholders' equity†
Net worth per common share
Dividends declared – per common share
– per $100 preferred share
– per $25 preferred share
Income reinvested in the business*
Capital expenditures – manufacturing*
Capital expenditures – mines and quarries*
Total dividends declared* – preferred
– common
Number of holders of common shares
Percentage of common shares held in Canada
Average number of employees

*in thousands

†after preferred dividends

1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
$1,120,383	$ 919,036	$ 904,958	$ 738,083	$681,636	$519,558	$443,775	$380,723	$331,658	$332,610
$ 892,125	$ 752,151	$ 739,144	$ 601,301	$524,741	$382,813	$333,585	$295,011	$247,988	$235,522
$ 53,370	$ 47,063	$ 42,108	$ 38,064	$ 35,119	$ 35,155	$ 33,077	$ 28,764	$ 26,246	$ 26,387
$ 13,189	$ 8,529	$ 8,652	$ 6,436	$ 11,107	$ 10,033	$ 6,774	$ 5,429	$ 5,623	$ 6,493
$ 35,195	$ 34,434	$ 23,736	$ 15,767	$ 9,678	$ 7,580	$ 9,053	$ 8,245	$ 3,977	$ 3,530
$ 12,418	$ 12,759	$ 4,981	$ 3,958	$ 6,811	$ 1,264	$ 537	$ 1,145	$ 1,578	$ 3,113
$ 138,922	$ 89,618	$ 96,299	$ 80,473	$107,802	$ 85,241	$ 61,823	$ 44,419	$ 49,402	$ 63,791
$ 44,000	$ 21,100	$ 29,600	$ 25,000	$ 37,400	$ 32,700	$ 25,700	$ 16,400	$ 16,300	$ 21,800
$ 94,922	$ 68,518	$ 66,699	$ 55,473	$ 70,402	$ 52,541	$ 36,123	$ 28,019	$ 33,102	$ 41,991
$ 85,437	$ 63,103	$ 65,728	$ 54,493	$ 69,415	$ 51,530	$ 35,083	$ 26,958	$ 32,020	$ 40,905
$ 411,350	$ 416,723	$ 252,894	$ 218,571	$163,490	$107,628	$103,559	$ 95,496	$ 78,751	$ 83,392
$1,399,767	$1,269,245	$1,112,987	$1,001,298	$867,192	$780,701	$736,905	$702,283	$618,838	$546,307
$ 524,911	$ 475,144	$ 431,896	$ 392,045	$357,014	$330,635	$296,625	$263,805	$236,215	$210,433
$ 10,004	$ 10,937	$ 12,185	$ 11,342	$ 11,259	$ 10,939	$ 11,100	$ 8,134	$ 7,501	$ 7,533
$1,296,210	$1,221,761	$ 946,170	$ 839,166	$684,927	$568,633	$554,939	$542,108	$468,875	$426,799
$ 339,363	$ 357,000	$ 285,593	$ 238,791	$135,211	$ 80,719	$112,963	$130,705	$ 80,530	$ 58,100
$ 217,500	$ 185,900	$ 169,600	$ 151,900	$133,000	$120,700	$113,100	$104,200	$ 94,750	$ 93,750
$ 739,347	$ 678,861	$ 490,977	$ 448,475	$416,716	$367,214	$328,876	$307,203	$293,595	$274,949
3,588	3,333	3,335	3,053	3,060	3,036	2,773	2,468	2,322	2,279
2,763	2,596	2,652	2,348	2,455	2,362	2,175	1,811	1,787	1,815
$ 5.42	$ 4.01	$ 4.17	$ 3.46	$ 4.41	$ 3.29	$ 2.25	$ 1.74	$ 2.07	$ 2.64
7.6%	6.9%	7.3%	7.4%	10.2%	9.9%	7.9%	7.1%	9.7%	12.3%
6.8%	5.8%	7.4%	7.2%	11.1%	9.2%	6.4%	5.3%	7.1%	9.7%
15.8%	12.9%	14.6%	13.2%	18.7%	15.8%	11.8%	9.7%	12.2%	17.2%
$ 36.12	$ 32.32	$ 29.89	$ 27.17	$ 25.15	$ 21.99	$ 19.69	$ 18.33	$ 17.48	$ 16.29
$ 1.65¾	$ 1.55	$ 1.46¾	$ 1.44	$ 1.26	$ .97½	$ .90	$ .90	$ .87½	$ .80
$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.75
$ 1.427	$ .744	—	—	—	—	—	—	—	—
$ 59,317	$ 38,116	$ 42,615	$ 31,817	$ 49,577	$ 36,264	$ 21,057	$ 12,980	$ 18,470	$ 28,534
$ 128,205	$ 152,168	$ 77,411	$ 100,722	$ 85,133	$ 37,879	$ 30,134	$ 52,029	$ 69,873	$ 43,016
$ 5,920	$ 7,906	$ 36,534	$ 46,441	$ 10,114	$ 3,360	$ 3,043	$ 32,590	$ 3,122	$ 2,467
$ 9,485	$ 5,415	$ 971	$ 980	$ 987	$ 1,011	$ 1,040	$ 1,061	$ 1,082	$ 1,086
$ 26,120	$ 24,414	$ 23,113	$ 22,676	$ 19,838	$ 15,266	$ 14,026	$ 13,978	$ 13,550	$ 12,371
14,674	15,196	15,298	15,932	16,110	16,272	16,629	17,958	19,511	20,183
97.1%	97.1%	97.1%	97.4%	96.9%	96.4%	96.2%	95.7%	95.0%	94.2%
12,300	11,300	11,500	11,700	11,500	10,600	9,700	9,300	8,600	8,600

Subsidiaries	Percentage Ownership
National Steel Car Corporation, Limited, Hamilton, Ontario* A manufacturer of railway rolling stock, industrial and mining specialty rail cars and car parts. T. F. Rahilly, Jr. – President	100.0%
Prudential Steel Ltd., Calgary, Alberta* A manufacturer of electric resistance weld pipe in the 2" to 10" range; tubing and casing for the oil and gas industry; hollow structural steel for agricultural and industrial uses. J. S. Badyk – President	100.0%
BeachviLime Limited, Beachville, Ontario* A quarry and processing operation supplying lime and limestone products. D. A. Lindsey – President	100.0%

Iron Ore Mining and Pelletizing	
Adams Mine, Kirkland Lake, Ontario* Cliffs of Canada, Ltd. – Manager	100.0%
Sherman Mine, Temagami, Ontario* Cliffs of Canada, Ltd. – Manager	90.0%
Wabush Mines*, comprising: Scully Mine, Wabush, Newfoundland Pelletizing plant, Pointe Noire, Quebec Pickands Mather & Co. – Manager	16.4%
Eveleth Expansion Company, Minnesota* Oglebay Norton Company – Manager	16.0%

Other Investments	
Baycoat Limited, Hamilton, Ontario*	50.0%
Itmann Coal Company, West Virginia†	9.0%
Arnaud Railway Company, Quebec†	16.4%
Wabush Lake Railway Company, Limited, Newfoundland†	16.4%
Knoll Lake Minerals Limited, Newfoundland†	9.5%
Northern Land Company Limited, Newfoundland†	8.2%
Twin Falls Power Corporation, Limited, Newfoundland†	2.8%

Transfer Agents and Registrars

National Trust Company, Limited –
Toronto, Montreal, Vancouver, Winnipeg, Calgary

Canada Permanent Trust Company – Halifax

The Bank of Nova Scotia Trust Company of New York – New York

* Ownership interest consolidated in Financial Statements
† Included under "Investments" in Financial Statements

Our product is steel...our strength is people.

DOFASCO